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**Family Service of Greater Baton Rouge
Baton Rouge, Louisiana
December 31, 1997**

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Release Date: January 7, 1998

Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

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April 21, 1998

Independent Auditor's Report

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE SOCIETY OF CHARTERED ACCOUNTANTS
MEMBER OF THE NATIONAL ASSOCIATION OF ACCOUNTING FIRMS
MEMBER OF THE STATE SOCIETY OF ACCOUNTANTS
MEMBER OF THE STATE SOCIETY OF CHARTERED ACCOUNTANTS
MEMBER OF THE STATE SOCIETY OF CHARTERED ACCOUNTANTS

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of the

Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

as of December 31, 1997 and December 31, 1996, and the related statements of unrestricted revenue, expenses and changes in unrestricted net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater Baton Rouge, as of December 31, 1997 and December 31, 1996, and the results of its operations and changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 1998, on our consideration of the Family Service of Greater Baton Rouge's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,

Hawthorn, Watmough & Carroll, L.L.P.

**Family Service of Greater Baton Rouge
Statements of Financial Position
December 31, 1997 and December 31, 1996**

	1997	1996
Assets		
Cash and cash equivalents	\$273,563	\$221,907
Certificates of deposit	23,000	23,000
Receivables		
Service fees (net of allowance for doubtful accounts of \$20,913 and \$10,913 for 1997 and 1996, respectively)	18,334	7,878
Grants	123,789	120,698
Miscellaneous	2,671	9,338
Prepaid pension cost	98,920	84,940
Other prepaid expenses	6,800	6,870
Land, building and equipment, net	505,774	529,268
Other assets	<u>1,432</u>	<u> </u>
Total assets	<u>1,064,083</u>	<u>1,306,129</u>
Liabilities		
Accounts payable	1,187	809
Accrued annual leave and other payroll liabilities	20,594	21,014
Mortgage payable		
Current maturity	8,989	8,329
Mortgage payable, net of current maturity	<u>126,406</u>	<u>125,062</u>
Total liabilities	<u>157,176</u>	<u>165,214</u>
Net Assets		
Unrestricted		
Designated by Board for capital improvements and education	48,337	55,370
Undesignated	<u>858,571</u>	<u>785,328</u>
Total net assets	<u>906,912</u>	<u>840,698</u>
Total liabilities and net assets	<u>1,064,083</u>	<u>1,306,129</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statements of Activities and Changes in Unrestricted Net Assets
Years Ended December 31, 1997 and December 31, 1996

	1997	1996
Unrestricted Revenue, Gains and Other Support		
Public support		
United Way	\$440,803	\$439,891
Contributions	<u>38,415</u>	<u>21,638</u>
	<u>479,218</u>	<u>461,529</u>
Other Revenue		
Service fees	184,924	177,531
Insurance reimbursement	5,947	16,825
Title XX-DCS	34,993	44,591
Family Life Education fees	27,688	32,760
Interest	22,329	8,095
Membership dues	10,517	7,815
Child Abuse Grant	6,800	1,500
Independent Living Program	169,093	159,517
Adolescent Case Management	263,270	332,273
Workshop	22,767	27,149
Children's Trust Fund	17,627	28,338
Junior League Grant	<u>4,500</u>	<u> </u>
	<u>738,602</u>	<u>789,342</u>
Total revenue, gains and other support	1,217,820	1,250,871
Expenses		
Program services		
Counseling Program	534,929	537,820
Parenting Center	129,379	151,824
Adolescent Case Management Program	284,091	327,814
Independent Living Program	185,684	166,035
Supporting services		
Management and general	<u>74,828</u>	<u>68,878</u>
Total expenses	1,153,671	1,211,331
Change in Net Assets	64,149	39,540
Net Assets, beginning of year	<u>840,898</u>	<u>801,325</u>
Net Assets, end of year	<u>905,047</u>	<u>840,865</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Boston League
Statements of Functional Expenses
Years Ended December 31, 1997 and December 31, 1996

	<u>Program Services</u>			
	<u>Counseling Program</u>	<u>Parenting Center</u>	<u>Treasure Advo- cate Program</u>	<u>First Time Parents</u>
Salaries and Related Expenses				
Salaries	\$329,243	\$74,768	\$85,216	\$107,882
Contract labor	20,284	880	897	976
Employee health and retirement	40,127	6,711	10,709	13,678
Payroll taxes	22,424	5,674	6,464	7,997
Total salaries and related expenses	412,048	88,032	109,286	139,533
General Expenses				
Professional fees	4,665	10,914	304	310
Supplies	6,052	1,228	1,434	955
Telephone	7,496	1,280	888	3,250
Postage	2,848	1,059	882	158
Janitorial and maintenance	8,257	1,065	761	589
Mortgage interest	7,852	1,014	676	594
Utilities	2,754	742	523	357
Rental and maintenance of equipment	2,221	508	312	338
Printing and publications	4,108	10,808	588	525
Travel				
Local	4,323	463	2,946	6,117
Out of town	669	594	1,534	1,857
Conducting conferences	20,868	3,818	92	21
Attending conferences	499		385	495
Specific assistance			260	
Membership dues	280	350	75	
Miscellaneous	1,478			
Payments to affiliated organizations	4,385	286	913	842
Major property and equipment	822	394	518	63
Insurance	2,602	240	111	
Bad debt	93,800			
Depreciation				
Total general expenses	194,881	33,387	12,462	16,728
Total functional expenses	606,929	121,419	121,748	156,261

The accompanying notes are an integral part of these statements.

<u>Program Services</u>				
<u>Independent Living Program</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>1997</u>	<u>1998</u>
\$104,734	\$693,861	\$17,832	\$711,713	\$567,316
13,723	67,749	8,089	75,842	46,764
13,044	85,261	2,212	87,473	104,884
<u>8,728</u>	<u>56,285</u>	<u>1,829</u>	<u>58,114</u>	<u>60,224</u>
<u>140,245</u>	<u>903,156</u>	<u>29,960</u>	<u>933,142</u>	<u>778,888</u>
1,268	17,463	3,145	20,607	32,806
1,573	11,242	437	11,689	16,919
1,761	14,358	898	15,716	13,823
87	6,863	218	6,280	7,743
1,774	12,428	1,144	13,572	14,570
1,582	11,718	684	12,402	13,114
1,164	8,520	319	9,039	9,540
463	3,742	367	4,049	
438	16,935	134	18,438	14,278
				48,293
3,200	16,649	71	18,720	
2,400	7,154	3,341	10,895	
903	24,702	875	25,577	
	1,379	82	1,461	
7,188	7,388		7,588	
	705	120	823	8,644
	1,428	1,250	2,678	6,564
1,133	8,169	425	8,593	
869	2,470	30	2,529	
572	3,625	349	3,974	4,687
	10,800		10,800	9,913
		<u>30,435</u>	<u>30,532</u>	<u>31,633</u>
<u>16,618</u>	<u>185,807</u>	<u>44,832</u>	<u>230,723</u>	<u>230,583</u>
<u>166,664</u>	<u>1,082,962</u>	<u>74,892</u>	<u>1,363,517</u>	<u>1,211,571</u>

Family Service of Greater Baton Rouge
 Statements of Cash Flows
 Years Ended December 31, 1997 and December 31, 1996

	1997	1996
Cash Flows From Operating Activities		
Change in net assets	\$95,914	\$29,675
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	30,555	31,655
(Increase) decrease in accounts receivable	(4,394)	37,286
Decrease in prepaid expenses	(13,980)	(13,529)
(Increase) in other assets	(1,439)	
(Decrease) in accounts payable	<u>(128)</u>	<u>(5,211)</u>
Net cash provided by operating activities	<u>76,408</u>	<u>80,786</u>
Cash Flows From Investing Activities		
Purchase of equipment	<u>(17,541)</u>	<u>(17,500)</u>
Net cash used by investing activities	<u>(17,541)</u>	<u>(17,500)</u>
Cash Flows From Financing Activities		
Payments on mortgage payable	<u>(7,997)</u>	<u>(7,285)</u>
Net cash used by financing activities	<u>(7,997)</u>	<u>(7,285)</u>
Net Increase in Cash and Cash Equivalents	51,370	45,894
Cash and Cash Equivalents, beginning of year	221,917	175,823
Cash and cash Equivalents, end of year	<u>273,287</u>	<u>221,917</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 1997

Note 1-Nature of Operations

Family Service of Greater Baton Rouge (formerly Family Counseling Service of East Baton Rouge Parish, Inc.) is a nonprofit corporation which receives the majority of its revenue from United Way and other grants. The agency was established in October, 1956 to provide counseling services to individuals and families.

Note 2-Significant Accounting Policies

Concentration of Credit Risk

Concentration of credit risk with respect to service fees is limited to the Baton Rouge, Louisiana area. As a result, the Company is subject to the credit risk associated with the local economy in respect to service fees.

Grant receivables are due from federal and state agencies.

Income Taxes

The agency is exempt from taxation as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements are presented using the accrual basis of accounting.

Restrictions on Net Assets

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All agency net assets are currently unrestricted.

Donated Goods And Services

Donated services and materials for the Agency's fundraising activities are not reflected in the financial statements. The estimated fair value of these goods and services is \$11,350.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 1997

Note 3-Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 3-Cash and Cash Equivalents

The agency considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Cash and cash equivalents at December 31, 1997 and December 31, 1996, consisted of the following:

	<u>1997</u>	<u>1996</u>
Bank account	\$5,560	\$11,022
Petty cash	130	150
Money Market Account	267,282	210,665
<u>Total cash and cash equivalents</u>	<u>332,972</u>	<u>221,837</u>

Note 4-Land, Building and Equipment

The original cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

Land, building and equipment consists of the following:

	<u>1997</u>	<u>1996</u>
Building and improvements	\$432,105	\$432,105
Equipment	303,478	197,184
Automobiles	10,124	11,569
	645,707	640,858
Less accumulated depreciation	(326,698)	(238,517)
	319,009	402,341
Land	138,527	138,527
<u>Total land, building and equipment</u>	<u>457,536</u>	<u>540,868</u>

Family Service of Greater Boston League
Notes to Financial Statements
December 31, 1997

Note 5-Long-Term Debt

Long-term debt at December 31, 1997 and December 31, 1996, consisted of the following:

	<u>1997</u>	<u>1996</u>
Mortgage payable, dated March 31, 1994 to Bank One, original amount \$161,982, 8.75% interest, payable at \$1,700 monthly with remaining balance due April 1, 2001. Secured by mortgage on land and building on Revere Avenue.	\$133,389	\$143,383
Less current maturity	_1,322	_1,328
Total long-term portion	<u>132,067</u>	<u>142,055</u>

Future maturities on long-term debt are as follows:

1997	\$5,988
1998	9,508
1999	10,702
2000	101,886
	<u>138,084</u>

Note 6-Net Assets Designated For Capital Improvements and Education

The Board of Directors has designated a portion of its unrestricted assets to be used for capital improvements and educational purposes. These designations are unlike donor contributions which must be used for the purpose stipulated by the donor as the board has the authority to change or reverse its own action. The designated portion of the unrestricted net assets is augmented annually by earnings of the agency's interest bearing accounts.

Changes in designated net assets for 1997 and 1996 are as follows:

	<u>Designated Net Assets</u>		
	<u>Capital</u>	<u>Educational</u>	<u>Total</u>
	<u>Improvements</u>	<u>Funds</u>	<u>Designated</u>
Balance, January 1, 1996	\$49,877	\$5,000	\$54,877
Interest income	8,093		8,093
Purchase of property, plant and equipment	(27,501)	—	(27,501)
Balance, December 31, 1996	<u>30,469</u>	<u>5,000</u>	<u>35,469</u>
(Continued - Amounts brought forward)	50,578	5,000	55,578

Family Service of Greater Boston Region
Notes to Financial Statements
December 31, 1997

Note 6-Net Assets Designated For Capital Improvements and Education (Continued)

	<u>Designated Net Assets</u>		Total Designated
	Capital Improvements	Education Funds	
(Continued - amounts carried forward)	\$38,570	\$5,000	\$35,570
Interest income	12,329		12,329
Purchase of property, plant and equipment	(19,562)	—	(19,562)
Balance, December 31, 1997	<u>45,557</u>	<u>5,000</u>	<u>48,327</u>

Note 7-Pension Plan - Defined Benefit

The Agency has a noncontributory defined benefit pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years during the last ten calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

A. The following table sets forth the plan's funding status and the amounts recognized in the financial statements at December 31, 1997 and December 31, 1996:

Actuarial present value of benefit obligations:

	1997	1996
Accumulated benefit obligation, including vested benefits of \$331,382 and \$325,640, respectively	<u>\$325,640</u>	<u>\$325,374</u>
Plan assets at fair value, primarily listed stocks and U.S. Bonds	619,008	634,585
Less projected benefit obligation for service rendered to date	458,443	478,683
Plan assets in excess of projected benefit obligation	122,399	154,904
Net unrecognized (gain) loss from past experience different than assumed	(96,813)	(81,315)
Unrecognized net (gain) or loss	85,586	73,589
Unrecognized prior service cost	(55,124)	(60,993)
Prepaid pension cost included in other assets	<u>58,530</u>	<u>54,540</u>

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 1997

Note 7-Pension Plan - Defined Benefit (Continued)

Net pension cost for 1997 and 1996 included the following components:

	1997	1996
Service cost - benefits earned during the period	\$43,668	\$48,437
Interest cost on projected benefit obligation	37,129	34,334
Actual return on plan assets	(13,046)	(34,300)
Net amortization and deferral	187,051	(23,471)
Net periodic pension cost	<u>25,702</u>	<u>25,010</u>

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 6 percent. The expected long-term rate of return on assets was 8 percent.

B. Actuarial Method and Assumptions

Actuarial Methods

Retirement and death benefits - disability annuity credits Aggregate cost method one year term cost.

Assumptions Retirement age Age 65. For employees over 60, immediate retirement is assumed.

Mortality rates before retirement 1963 Group Annuity Mortality Table for males projected to 1988 by Scale II and set back 4 years for males and females with 7 1/8% interest and loading 2.3% of net. Four percent cost of living on benefits accrued before July 1, 1994.

Interest rate 7.50 percent per year, net after fund charge

C. Eligibility for Participation

Former participants of any plan of Mutual of America are eligible immediately if over age 21. If not a former participant, eligible after one year of service and attainment of age 21.

D. Amount of Retirement Income

The amount of yearly retirement income at age 65 equals 1 percent of the final average salary times credited service (no maximum), plus 1/2 percent of any excess of the final average salary over the social security average yearly wage times credited service (maximum 15 years) offset by all amounts accrued under any prior plan administered by Mutual of America. Credited

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 1997

Note 7-Pension Plan - Defined Benefit (Continued)

D. Amount of Retirement Income (Continued)

service (years and 1/120th) is defined to be service as a participant under any plan of the employer after meeting the eligibility requirements. Service prior to employee's enrollment date shall be excluded for any employee who failed to become a participant when first eligible.

E. Vesting at Termination of Employment

If a participant terminates his employment after 3 years of service he will receive retirement income, beginning at age 65, or earlier retirement date, if elected, based on his years of service and compensation prior to his termination of employment.

F. Normal Retirement Date

Participants may retire on the first day of the month coincident with or next following their 65th birthday.

G. Early Retirement

Participants may retire between ages 55 and 65. Benefits are reduced 1/12 for each of the five years prior to the normal retirement date and 1/30 for each of the next five years.

In addition to pension benefits, the entity provides employees an opportunity to participate in a defined compensation plan offered through Mutual of America. The entity does not guarantee these benefits. This plan is between Mutual of America and the employer and the entity serves only in an agency capacity.

Note 8-Pension Plan - Defined Contribution

The Agency has a defined contribution plan subject to Section 401(k) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 25% of the first 6% of the amount of the salary reduction of each employee. The amount of pension expense under this plan was \$4,361 and \$6,999 for the years ended December 31, 1997 and December 31, 1996, respectively.

Supplementary Information

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April 23, 1998

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**Independent Auditor's Report on
Schedule of Federal and State Awards**

Board of Directors

Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the Family Service of Greater Baton Rouge, as of and for the year ended December 31, 1997, and have issued our report thereon dated April 21, 1998. These financial statements are the responsibility of the Family Service of Greater Baton Rouge's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Family Service of Greater Baton Rouge taken as a whole. The accompanying Schedule of Federal and State Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

Hawthorn, Warmouth & Carroll, L.L.P.

Family Service of Greater Baton Rouge
 Schedule of Federal and State Awards
 Year Ended December 31, 1997

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Contract Number</u>	<u>Disburse- ments/Ex- penditures</u>
Department of Health and Human Services/Louisiana			
Department of Health and Hospitals/Adolescent Case Management Program:			
Teen Advocate Program (96-97)	13.994		\$46,611
Family Planning Program (96-97)	13.994		40,933
Family Planning Program (97-98)	13.994		30,313
First Time Parents (96-97)	13.994		107,129
First Time Parents (97-98)	13.994		<u>37,888</u>
Subtotal			262,883
Department of Health and Human Services/Louisiana			
Department of Social Services:			
Independent Living Program -			
Contract A and B (96-97)	93.674	370-9716	82,363
Contract A and B (97-98)	93.674		<u>86,307</u>
Subtotal			168,670
Department of Health and Human Services/Louisiana			
Department of Social Services:			
Office of Community Services Title XX (96-97)			
Office of Community Services Title XX (96-97)	93.667	370-8114	23,981
Office of Community Services Title XX (97-98)	93.667		<u>12,355</u>
Subtotal			36,336
Department of Health and Human Services/Louisiana			
Department of Social Services/			
Office of Community Services:			
Children's Trust Fund -			
Adopt A School (96-97)	93.672	370-8176	10,698
Adopt A School (97-98)	93.672		<u>7,134</u>
Subtotal			17,832
Grand total			483,681

*Denotes major programs

HATHORN, WAYMOR & CARROLL, L.L.P.



CERTIFIED PUBLIC ACCOUNTANTS

MEMBER FIDELITY & BOND
MEMBER AICPA
MEMBER CPAA

April 23, 1998

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CHARLES W. WAYMOR, CPA
JAMES E. CARROLL, CPA
MEMBER AICPA
MEMBER CPAA
MEMBER FIDELITY & BOND
THOMAS B. HATHORN, CPA
CHARLES W. WAYMOR, CPA
JAMES E. CARROLL, CPA

Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the Family Service of Greater Baton Rouge as of and for the year ended December 31, 1997, and have issued our report thereon dated April 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Family Service of Greater Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Family Service of Greater Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the

design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is issued for the information of the Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities.

Yours truly,

Hunter, Raymond L. L.

HANTHORN, WATMOUTH & CARROLL, L.L.P.

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April 23, 1998

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BOARD

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance In Accordance with OMB Circular A-133

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

Compliance

We have audited the compliance of the Family Service of Greater Baton Rouge with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 1997. Family Service of Greater Baton Rouge's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on the Family Service of Greater Baton Rouge's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted audit standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Family Service of Greater Baton Rouge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Family Service of Greater Baton Rouge's compliance with those requirements.

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

Internal Control Over Compliance

The management of the Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Family Service of Greater Baton Rouge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities.

Yours truly,



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April 21, 1998

**Schedule on Audit Findings and Questioned Costs Applicable to
Each Major Program in Accordance with OMB Circular A-133**

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the Family Service of Greater Baton Rouge, as of and for the year ended December 31, 1997, and have issued our report thereon dated April 21, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Schedule on Audit Findings and Questioned Costs as Required by Circular A-133, Subpart F
28CFR101.61(b) Department of Health and Human Services, C.F.R.A.R's 13.594 and 92.674.

- (1) The above mentioned audit report contained an unqualified opinion.
- (2) Our audit report did not disclose any material weaknesses or other conditions in internal control which are required to be reported under OMB Circular A-133.
- (3) We issued an unqualified report on compliance for major programs.
- (4) Our audit report did not disclose any material weaknesses or other conditions in internal control over major programs which are required to be reported by OMB Circular A-133.
- (5) Our audit report did not disclose any material noncompliance in major programs, as described in § 510(a)(2).
- (6) Our audit did not disclose any questioned costs, as described in § 500(a)(3).
- (7) The major programs were identified as the Adolescent Case Management Program and the Independent Living Program.
- (8) The auditor's above mentioned programs were classified as Type A using 3% of total federal awards expended as the threshold.
- (9) The auditor does qualify as a low risk auditor under § 504.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities.

Yours truly,

Hawthorn, Warmouth & Carroll, L.L.P.